

**COMMITTEE ON ACCOUNTS, ENROLLMENT
AND REVENUE ADMINISTRATION**

July 18, 2005

4:30 PM

Chairman Smith called the meeting to order.

The Clerk called the roll.

Present: Aldermen Smith, Guinta (late), Osborne, Shea

Absent: Alderman Thibault

Messrs.: K. Buckley, R. Sherman, S. Wickens, K. Dillon

Chairman Smith addressed Item 3 of the agenda:

Communication from Kevin Buckley, Independent City Auditor, providing a status report of current audits of the Office of the Tax Collector, City Clerk's Office, Finance Department-Treasury, Traffic Department and Police Department.

Kevin Buckley stated this is an audit of the Tax Department. There were three very minor observations. One has to do with their collecting lots of mailed checks and every once in awhile they can't deposit them all the same day. Sometimes it takes two or three days but that is just sporadically. It was not of too much concern. The other one is a general conversation having to do with...most places that have no written procedures governing how they handle hiring and leaving employees and again it is just a very minor thing. I thought it would be good to have some sort of written procedures. All of the agencies would benefit from this. Finally, there is a management issue where there are two ordinances that conflict with each other and you may want to consider looking into having them changed so that they are not in conflict anymore. In general, in all of my years of auditing the Tax Department was one of the tightest run departments I have ever seen. The internal control was extraordinary and it made for a very boring audit.

Alderman Shea moved to have the Solicitor look at the ordinances and correct the deficiency that is mentioned in the report.

Deputy City Solicitor Arnold stated I will work with Kevin on that.

Chairman Smith stated I would just like to say on behalf of the Accounts Committee, thank you Kevin but also Joan Porter I just want to say that I have been looking this over and the revenue brought in my auto registrations and so forth is unbelievable. The only thing that I have is I would like to know if the complement of the Tax Collector's Office is still one part-time and 11 full-time employees?

Mr. Buckley responded yes I believe that is correct.

Chairman Smith asked and that number is sufficient to run that department. I notice there are always lines in that department.

Mr. Buckley answered the lines come and go. During the heavy period there is a line there. If you hire more people then there will be people occasionally sitting around with not much to do. I did note under revenue collection that there are times where they could probably use an extra part-time person to help process some of that mail. Again, that is very rare and it doesn't happen that often.

On motion of Alderman Osborne, duly seconded by Alderman Shea it was voted to accept the report from the Independent City Auditor.

Chairman Smith addressed Item 4 of the agenda:

Communication from Sharon Wickens, Finance Analyst II, submitting the City's unaudited Monthly Financial Statements for the year ended June 30, 2005 for FY2005.

Randy Sherman, Deputy Finance Officer, stated what you have in front of you are really unaudited June statements. These numbers will change as we finish closing out the books and go to through the audit period. In general, I must say that the departments did an exceptional job this year. If you recall we didn't fund COLA's 100%. They were absorbing quite a bit in their salary lines and overall on the general fund side we ended up with just over \$1 million so far. That is where we ended up. Now let me just walk you through a couple of those numbers. If you open up your report and I apologize that the pages aren't numbered here but it is the very first page with the landscape print on it. If I can point you to the third set of numbers there and I actually would like to start in the third column of numbers and the second set of numbers on the page. You will see that there are three numbers there that have brackets around them. The health insurance of \$711,000, worker's compensation at \$93,000 and CGL at \$418,000. In total, those three insurance lines alone have a deficit of \$1.2 million. If you recall the City has separate reserves set-up to cover the insurances if they should run over the budget. Those don't even hit your fund balance that we talk about at tax rate setting time.

Those three numbers will not hit that fund balance. That is where our major issue was this year in those three line items. We talked about it in the past and unfortunately come the end of the year we were accurate that those three were going to be over. If you look at the second above that in the same column you will notice again there is a handful of departments that have brackets around their ending balances. With the exception of Highway and Elderly Services, which I will touch on in a minute, the rest of those are all due to salary issues. For example, in the Finance Department we have a rather large number deficit there. We had somebody retire on June 30. There was not much time to make up for that type of departure. The Highway Department, as we know is mainly worker's compensation issues. Under Elderly Services it was a little bit of salary and a lot of energy costs. The amount that had been budgeted for the new senior center really was insufficient to cover them and hopefully the FY06 budget has been adjusted accordingly. If you flip over to the next page and again we are working on that same column and you look at the last number in that column it shows a deficit of \$167,000. Once you make the adjustment for those three insurance accounts that have reserves set-up and those dollars are actually going to hit those separate reserves again we actually had a \$1 million surplus turned back by the departments, which in a year when they were absorbing as much as they were absorbing I think that is a pretty remarkable performance that they did last year. If we can go forward about nine more pages I would like to talk a little bit about the revenues. It is a regular page. It says Budget Vs. Actual Revenue By Type. Again, I am looking at the FY05. Does everyone have it? It starts with Boat Taxes at the top. Again I will take you to the third column and we will go down to the bottom. The number in brackets of \$232,000. This time the brackets are good news. That means that our revenues exceeded our budget. Again, this is on non-property tax revenues. The item that I would point to is in the second area under licenses and permits. The very first one is auto registrations. Auto registrations actually represent over 1/3 of your non-property tax revenues. If you look in that third column we came up \$7,400 short on that revenue, which was absolutely remarkable that we hit that. We really pushed that when we did the FY05 budget as far as a projection. With the exception of a few motorcycles and a couple of cars in there, we almost hit that one perfect. Overall on the bottom a \$232,000 surplus on the non-property tax revenue. Other than that again there is not much else to say and I would be glad to answer any questions.

Alderman Guinta asked Randy what are the top three revenues.

Mr. Sherman answered property taxes obviously are number one. The second one is the auto registrations and then the third one would actually be the money that we get from the state – the state revenue sharing dollars.

Alderman Guinta asked how much is it in total for auto registration.

Mr. Sherman answered for FY05 we brought in just over \$16 million.

Alderman Guinta stated I am trying to...tell me what the difference is between modified and revenue recognized. Is revenue recognized actual dollars received?

Mr. Sherman answered yes. Sometimes there is a receivable in there where the dollars aren't received but it has been billed. The modified budget is typically you would find a modified budget more on the expense side where departments will move dollars between or if you do a contingency transfer. That is shown as a modified from the original adopted. Typically on the revenue side the modified equals the adopted. We don't go in and modify those budgets.

Alderman Guinta asked so what is the need for a modified budget on the revenue side.

Mr. Sherman answered it could say adopted budget. It would be the same.

Alderman Osborne moved to accept the report. Alderman Guinta duly seconded the motion. Chairman Forest called for a vote. There being none opposed, the motion carried.

Chairman Smith addressed Item 5 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:

- a) department legend;
- b) open invoice report over 90 days by fund;
- c) open invoice report all invoices for interdepartmental billings only;
- d) open invoice report all invoices due from the School District only;
- e) listing of invoices submitted to City Solicitor for legal determinations; and
- f) accounts receivable summary

Sharon Wickens stated I don't have any specific comments to make on the regular 90 day over report. I don't see anything that is out of the ordinary other than they are outstanding. I do notice that the finance charges are starting to pile up a little bit but they are coming in. We are making progress in collecting and it is pushing the customers to actually pay their bills. We do have a tabled item for Easter Seals and they won't be in until the next meeting. I also have Airport here on some write-offs that you were expecting. They are bankruptcies.

Chairman Smith stated we seem to have the same agencies having the same problems that we discussed about a year ago. One is workman's compensation in the Highway Department. There are still over payments. Is there any way we can rectify that situation?

Ms. Wickens responded most of those have gone to the Solicitor's Office and I know that Tom has been reviewing them to see exactly what we can do. Some of the dollar amounts are relatively small so for him to pursue \$100 sometimes isn't worth it. I know he is looking at each one individually. I don't know if Tom wants to comment.

Deputy Solicitor Arnold stated we do look at especially the larger ones. We have brought collection actions in the past. Generally when we do move for collection we report that action.

Chairman Smith asked is it because the person gets the check and leaves or what is the problem. With workman's compensation you are out for like a month or so do people don't come back and receive a check or what? I can't understand why there are overpayments.

Ms. Wickens answered what is happening is they are being paid for sick time until their worker's compensation kicks in and then when worker's compensation kicks in it goes back and it pays them for time that we have paid them for sick so we try to recuperate our costs but it is very, very touch as to exactly what you can do to get somebody to pay you back. You have to...they have to pay you back wanting to pay you back. You can't force them and you can't threaten them. I don't know, Tom, if you want to elaborate on the law but it is very difficult to get them to pay you back and that is what we are facing.

Chairman Smith asked it is even hard to get them to pay it back when they come back to work and know they have been overpaid.

Ms. Wickens answered sure and we have lots of instances like that. I know that in private industry a lot of times what they will do is they will have the very first worker's compensation check there for the person to come in and pick up and they will say we have overpaid you sick time why don't you sign this check over to us and here is a check that represents what you are truly owed by the City and they switch checks right then and there. I have talked to Tom about this and it is very touchy as to whether we can do that. It is something I would like to see done and I know that private industry does this. Not many people are going to say you know what let me not sign that over to you let me just take it and I know that I am taking money that is not mine. If you have a check ready for them, money that is truly

theirs and then they sign back the original worker's compensation check, which contains money that isn't there – maybe a couple of hundred dollars, you could just wipe that out right then and there. You wouldn't have these overpayment problems. I really don't think that anybody is not going to do that.

Alderman Guinta asked what is the total overpayment on an annual basis for those types of overpayments. Do we have something that is broken down? There is probably less in general liability right? It is just primarily worker's compensation.

Ms. Wickens answered yes it is primarily worker's compensation and it is only the ones that are sent to me for collection. There are some departments that don't send them to me and collect on their own so I don't know about them but if you just take Highway for instance they have probably 10-20 people a year that are overpaid. It can be as little as \$50, which isn't as much of a concern but it can be up to \$2,000 or \$3,000, which is a lot more of a concern. I really think that this needs to be looked at with Tom and we have been talking about it.

Alderman Guinta asked isn't there a state law that allows an employer to deduct overpayments from an employee.

Ms. Wickens answered there is not. It is very tight on that.

Alderman Forest asked on Page 7 there are...I don't know if these are chargebacks or something that hasn't been paid yet but there are three youth organizations on this that apparently have not paid. I don't have my calculator but it is somewhere around \$1,000 between the three and it says it is over 90 days. Has anybody talked to these groups? I know of one that I talk to on a daily basis that...

Ms. Wickens interjected I see the groups you are mentioning and I am in contact with Barbara Connors for a lot of these. For some reason because they are groups and they switch treasurers bills get lost. It seems to take forever for these payments to come in but she does call them and remind them.

Alderman Forest stated I know that I am the treasurer for one organization and I was left with tax problems from three or four years ago. You are right. They do change treasurers and presidents and all of that but I think every year when they do get a new Board of Directors and all of that they usually look at their bills and 90 days is almost the start of some of the seasons on some of these groups. They are probably unaware that they owe this money.

Ms. Wickens responded right that is exactly what it is. There are new people coming in and they aren't aware of it.

Alderman Forest stated try to get them before November because then it will change again.

Ms. Wickens replied I will have Barbara give them another call.

Chairman Smith stated it seems like political organizations come in and ask for permits for parking and police detail and it seems like they are from out of town and they never pay. Is there any way the Police Department can say to them we are not going to give the coverage unless you pay up front or whatever the situation might be because it is thousands of dollars for the same group two times for about eight or nine days of police detail.

Ms. Wickens responded we have had Police come in before to talk about this issue. For whatever reason, they don't make people pay up front unless they have delinquent accounts but you are right. I know which one you are talking about and that is on here again. You would have thought they would have asked for it up front. I can have Police come back and talk about that issue again.

Chairman Smith stated well they will probably be in town two years from now.

Alderman Osborne asked are we tying in Items 5 and 6 with the Airport accounts.

Chairman Smith answered no we will take up the Airport separately.

Alderman Osborne moved to accept the report. Alderman Shea duly seconded the motion. Chairman Smith called for a vote. There being none opposed, the motion carried.

Chairman Smith addressed Item 6 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting a request from the Airport seeking authorization to write off accounts receivable unpaid balances as a result of 2002 and 2003 bankruptcy filings.

Kevin Dillon, Airport Director, stated as you know the airline industry over the past few years has sustained a number of losses and as a result of that a number of carriers have filed bankruptcy. What you see here with these four carriers are carriers that have filed bankruptcy over that time period. We believe that we have exhausted every effort to obtain as much as we can. In some cases these carriers have paid cents on the dollar and reached different agreements with the bankruptcy court. At this time we would like to write these off our books because as I said we feel we have exhausted every effort that is available to us.

Alderman Shea asked are these airlines now out of business or are they out of business.

Mr. Dillon answered these airlines are still operating. This all represents pre-petition debt. In some cases the pre-petition debt was substantially more than you see here and we worked with the bankruptcy court along with the carrier to obtain as much as we could. Quite frankly, US Airways is still in business, Air Canada is still in business and Piedmont and Allegheny continue to be subsidiary carriers of US Airways. They were all part of the US Airways bankruptcy. Quite frankly we would have the ability to reject or lease at the airport and not give them an ongoing lease but that is not really in the best interest of the City or the Airport to do that.

Alderman Shea asked so they are in business and they are now back from bankruptcy and operating all right now. I don't know what the proper terminology might be.

Mr. Dillon answered right now US Airways continues to be of concern to the Airport but they recently announced a potential merger with America West Airlines and we think that is what will keep them solvent.

On motion of Alderman Shea, duly seconded by Alderman Osborne, it was voted to write-off various Airport accounts receivable unpaid balances as a results of 2002 and 2003 bankruptcy filings.

TABLED ITEM

7. Communication from Sharon Wickens, Financial Analyst II, relative to a request from Easter Seals for the City's consideration in reducing the amount currently owed for false alarm charges to the Fire Department.
(Tabled 06/07/2005 pending further discussion with the Fire Department and Easter Seals.)

This item remained on the table.

There being no further business, on motion of Alderman Osborne, duly seconded by Alderman Shea it was voted to adjourn.

A True Record. Attest.

Clerk of Committee